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Preparations for the special session of the General Assembly on the implementation of the outcome of the World Summit for Social Development and further initiatives

Regional symposium on socio-economic policies during macroeconomic stabilization in countries with economies in transition

Note by the Secretary-General

1. In its decision 5, taken at its organizational session in 1998, the Preparatory Committee for the Special Session of the General Assembly on the Implementation of the Outcome of the World Summit for Social Development and Further Initiatives invited Governments to contribute to the work of the Preparatory Committee and the special session and the organization of expert group meetings, seminars, symposia and workshops to be held by the Secretariat on issues of relevance to the special session, both of which would contribute to the consideration of such issues by the Preparatory Committee.

2. Accordingly, in preparing for the second session of the Preparatory Committee, the Department of Economic and Social Affairs of the Secretariat, in cooperation with the United Nations Development Programme (UNDP) and the Government of Turkmenistan, organized a regional symposium on socio-economic policies during macroeconomic stabilization in countries with economies in transition. The symposium was held in Ashgabat from 9 to 11 November 1999. The symposium brought together government officials, experts from the United Nations system and representatives of non-governmental organizations (NGOs). The Secretary-General wishes to express his thanks and appreciation to the Government of Turkmenistan for hosting the symposium.

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Report of the symposium

Summary

At the regional symposium on socio-economic policies during macroeconomic stabilization in countries with economies in transition, focusing on the Commonwealth of Independent States, the current state of countries with economies in transition was discussed and recommendations were made regarding future socio-economic policies. The symposium provided a forum for senior government officials to identify issues that need to be addressed in order to strengthen the capacity of Governments to design and implement effective socio-economic policies.

Even though the countries with economies in transition in the region differ with respect to their specific trajectory and stage of transformation, and the results obtained, the social cost of the reforms is evident in all of these countries. The social costs, in terms of high unemployment, declining real incomes, wages and pensions, increasing income differentiation, social exclusion and deteriorating services, have fallen disproportionately on the poorest individuals and groups within the population.

The absence of sustainable economic growth and, as a result, the lack of financial resources needed for successful implementation of social programmes, is now one of the main obstacles to the elaboration and implementation of social policies by the States of the region. Therefore, revitalizing economic growth should be a priority. This does not imply that essential expenditures on human development should be postponed; investing in human capital is a necessary stimulus to growth and it affects the direction, speed and success of the transformation process.

There is a growing awareness that the transformation has to be accompanied by an active and comprehensive social policy that goes beyond compensatory programmes and occasional measures which "ease the pain" of the economic changes. Achieving sustainable economic growth requires giving priority to securing employment growth and putting human beings at the centre of development. This in turn requires the true integration of social and economic policy measures.

One of the most significant defining characteristics of the past decade is the increasing differentiation among the countries in the region, although increased poverty has affected all of the countries in the region with varying degrees of severity. In addition to the increase in "income poverty", there was a less well-known increase in so-called "human poverty".

Unemployment has emerged as a new and serious problem. Overall in Central and Eastern Europe, labour markets are characterized by unemployment rates that have stabilized at a high level and an increase in long-term unemployment. Labour markets in the countries of the Commonwealth of Independent States are characterized by fewer laid-off workers, relative to the decline in gross domestic product, and extensive hidden unemployment.

There has been a change in the employment policies pursued after 1995 in the region. During the second half of the 1990s, a more active approach to employment policies was adopted and social protection systems for the unemployed were reassessed. A more rigorous set of entitlement criteria for unemployment benefits was introduced in most countries and it has now become common policy to tie the

system of unemployment benefits to an active labour market policy, encouraging more active job seeking and participation in training programmes. Among active employment programmes the most commonly practised are subsidized employment schemes for vulnerable groups and support for small businesses.

Building inclusive societies is a difficult task, particularly for countries grappling with major economic, political and social transformations. Although the ongoing processes of democratization have expanded opportunities for citizens to participate in public life, both at the community and the national levels, the extent of civic engagement has remained low in many countries. Several social indicators in the region point at a process of social disintegration. The cohesion of family life and its capacity to care for children have been weakened substantially, and cases of child abandonment, youth delinquency and suicide have increased. Discrimination and violence against women have increased in many societies and policy measures adopted to remedy this situation have, to date, been inadequate. The crime rate among the adult population has jumped dramatically in a number of countries.

While many Governments are striving to sustain the share of social expenditure at the level achieved in the pre-transition period, most have been unable to do so. Even when roughly the same proportion of the government budget has been allocated to those needs, there has still been a very noticeable decline in the absolute volume of the allocated financial resources. The central trend in social policy development during the second half of the 1990s is the rationalization of social support for the poor and the establishment of legal and institutional foundations for a more goal-oriented social protection system.

At the symposium, a number of priorities for action were recommended in view of the current situation of the countries with economies in transition in the region. The first concerns the integration of macroeconomic and social policy, which is considered a necessary condition for social development. Growth of employment and reduction of poverty should be adopted as central goals of macroeconomic policy, together with economic growth and low inflation.

Second, it is important to make social protection an instrument of progressive income redistribution. This may require reform of social protection systems to ensure support for the poor, older persons, persons with disabilities and other vulnerable groups.

Third, the reforms of education and health care should provide universal access to these vital services, including for vulnerable groups in the population. There is also a need for a broader approach to the problems of vulnerable groups, *inter alia*, by encouraging the establishment and growth of organizations that represent those groups and their interests.

The fourth recommendation concerns mobilization of additional resources for social development, which requires innovative measures, including the reform of tax systems and improving the efficiency of tax administration, restructuring the allocation of resources among the various sectors and attracting foreign direct investment. Foreign aid can also increase resources for social development, including aid received from international organizations.

Fifth, in addition to raising resources for social development, efforts must be strengthened to improve the governance over, and effective use of, available financial resources.

Sixth, it is essential to recognize that institutional continuity and State capacity are indispensable factors for ensuring policy stability and predictability, and for prioritizing reform measures. The State has a vital role as a regulator and as a provider of essential public goods. In order to increase popular support for social programmes and to reduce opportunities for corruption, transparency and accountability must be achieved and maintained at all levels of Government.

Seventh, there is a need to reach consensus, among the different ministries and both governmental and non-governmental institutes, on such important issues as the goals of social policies, the level of public revenues and expenditures and the structure of social expenditures, in order to set out a coherent strategy for achieving the goals of sustainable development.

Eighth, national and regional differences must be taken into account and special attention must be given to depressed countries and regions with large-scale poverty and unemployment.

Finally, the ninth recommendation concerns the urgent need to enhance and reorient the capacity of national statistical systems to improve their ability to effectively monitor relevant social trends and patterns.

Introduction and background

1. Progress towards the objectives of the World Summit for Social Development has been particularly difficult for the countries with economies in transition in Eastern Europe, the Baltic States and the Commonwealth of Independent States. These countries have been on the march from centrally planned to market economies, sometimes without a reliable road map. In the early years of transformation, heavy emphasis was often put on macroeconomic stabilization and marketization, on the assumption that market forces would promote efficient and equitable growth. Policy makers and advisers seem to have given little attention to the role of the State in providing an institutional framework capable of increasing both the efficiency and equity of market systems.

2. At the United Nations regional symposium on socio-economic policies during macroeconomic stabilization in countries with economies in transition, held in Ashgabat, from 9 to 11 November 1999, the current state of the economies and societies in the region was discussed and recommendations regarding future socio-economic policies were made for consideration by the General Assembly at the special session on the implementation of the outcome of the World Summit for Social Development and further initiatives, which is to be held in Geneva from 26 to 30 June 2000. The focus of the symposium was on the Commonwealth of Independent States, with reference to the experiences of countries with economies in transition in Eastern Europe, Asia and the Baltic States.

3. Even though the countries with economies in transition differ with respect to their specific trajectory and stage of transformation, and the results obtained, the social cost of the reforms is evident in all of these countries. The social costs, in terms of high unemployment, declining real incomes, wages and pensions, increasing income differentiation, and deteriorating services, have fallen disproportionately on the poorest individuals and groups within the population. There is evidence of direct conflict between expectations and the evolving reality, the latter in most cases being far removed from that in prosperous democratic societies.

4. In the initial stages of transformation, many countries, in trying to reduce the social cost of the reforms, preserved the system of social guarantees developed under socialism and maintained comprehensive legislation providing social benefits. Because of deteriorating economic conditions, however, many countries were forced to limit their social spending and had to reduce actual benefit levels or the number of beneficiaries. Social expenditures in the majority of countries of the Commonwealth of Independent States are now virtually in a state of collapse because of the lack of financial resources.

5. Economic costs have been high in many countries. The gross domestic product (GDP) in Central and Eastern Europe was, on average, nearly 12 per cent lower in 1997 than it was in 1990, and in the Commonwealth of Independent States the average GDP in 1997 was only 55 per cent of the 1990 level.[1] Yet after 1993-1994, the Central and Eastern European States outside the Balkans experienced positive, and in some cases, namely the Visegrad Four (Poland, Hungary, Czech Republic and the Slovak Republic), substantial growth. Several countries of the Commonwealth of Independent States saw the beginnings of growth in GDP in the second half of the 1990s; economic activity turned around during 1995-1996 in Armenia, Azerbaijan and Georgia and during 1996-1997 in Central Asia. In the Russian Federation, however, the economic improvements of 1997 disappeared in the financial collapse of 1998, but have apparently resumed in 1999 on the basis of devaluation-driven import substitution and export earnings from world energy price increases. Overall, in 1998, GDP in countries of the Commonwealth of Independent States, affected by the financial crisis in the Russian Federation during that year, fell by an average of 3.4 per cent.[2]

6. Overall, fiscal deficits remain substantial, although expenditure cutting has reduced them to single digits. Hyperinflation has been eliminated, but in many countries in the region inflation has remained in the double-digit range, increasing in the wake of the Russian financial crisis. For example, in 1997 consumer prices in Armenia rose by 21.8 per cent, in Georgia by 7.2 per cent, in Kazakhstan by 11.3 per cent, in Turkmenistan by 21.5 per cent, and in Uzbekistan by 50 per cent.[3]

7. The absence of sustainable economic growth, with the resultant lack of financial resources needed for successful implementation of social programmes, is now one of the main obstacles to the elaboration and implementation of social policies by the States of the

region. Revitalizing economic growth should, therefore, be a priority. This does not imply that essential expenditures on human development should be postponed. Investing in human capital is a necessary stimulus to growth, affecting the direction, speed and success of the transformation process.

8. There is a growing awareness that the transformation has to be accompanied by an active and comprehensive social policy that goes beyond compensatory programmes and occasional measures that "ease the pain" of the economic changes. Achieving sustainable economic growth requires giving priority to securing employment growth and putting human beings at the centre of development. This in turn requires the true integration of social and economic policy measures.

9. One of the most significant defining characteristics of the past decade is the increasing differentiation among the countries in the region. Progress in building new institutions has been uneven across countries. A group comprising the Czech Republic, Hungary, Poland and Slovenia are in the forefront; their economies are closer to being completely market driven and their levels of output have either reached those of 1989 or are close to doing so. In these countries the transformation towards participatory democracy has also been rapid. In Bulgaria, Romania and the Baltic States, changes initially were slow, but have begun to speed up in recent years. In the countries of the Commonwealth of Independent States, reform has been slow and even stalled. In some of these economies, total output is now less than half what it was in 1989 and living standards have plummeted.

A. Socio-economic trends and policies

Income poverty and human poverty

10. There has been a marked increase in the level of poverty in all of the countries in the region, although with varying degrees of severity. Overall, the poverty level in Eastern Europe and the countries of the Commonwealth of Independent States increased from 4 per cent of the population in 1988 to 32 per cent in the mid-nineties.[4] The growth of poverty varied from country to country, but a common factor in most countries is the appearance of relative mass poverty. This was unknown prior to the transition process, when all able-bodied people had a job and hence a source of livelihood, and there was a comprehensive system of social services provided for those unable to work.

11. In those countries that have advanced furthest towards a market economy, such as the Czech Republic and Slovenia, improved economic performance facilitated a halt in the expansion of poverty. In Hungary and Poland the growth of poverty has also significantly slowed. However, these countries were notable exceptions. In the absence of a sustainable economic turnaround in most other countries with economies in transition, poverty has continued to expand as a result of low average wages, growing long-term unemployment, and the low level of social transfers, combined with the higher cost of living and growing income differentiation.

12. Overall in Central and Eastern Europe, poverty affects about 20 to 25 per cent of the population, and more than 30 per cent in the former Yugoslavia. In the countries of the Commonwealth of Independent States for which data exist, poverty is substantially higher, rising in the 1990s from 29 per cent of the population in Uzbekistan to around 50 per cent in Kazakhstan and Turkmenistan, and to 62 per cent in Azerbaijan.[5] In the Russian Federation, the largest country in this group, sharp negative shifts in the living standards of the population could be observed after the financial crisis of August 1998. Before that crisis, the proportion of the population living at income levels lower than the officially established poverty line declined from 24.7 per cent in 1995 to 20.8 per cent in 1997. After August 1998, the level of poverty increased to about 30 per cent of the population and, by January 1999, according to estimates made by a Russian economic institute, had climbed to 38.2 per cent.

13. Reaching beyond the groups that have traditionally been defined as vulnerable (families with many children, people with disabilities, single-parent families or pensioners), poverty now also affects the working age population that in other circumstances would be capable of raising their income level through work, but are now unable to do so because of the lack of jobs or low wages. In the Russian Federation and in several other countries of the Commonwealth of Independent States wage arrears as well as payment of wages in kind have become increasingly common. Up to 50 per cent of the workers do not receive regular wages and survive by bartering the "in-kind" payments

they get from employers and by cultivating small plots of land.

14. Differentiation of wages, by the level of education, by sector (public/private) and industry and by age and gender, has become much more pronounced than in the pre-transition period. Countries for which statistics are available and which show a sharp increase in inequality are Armenia, the Czech Republic, Hungary, the former Yugoslav Republic of Macedonia, the Republic of Moldova, the Russian Federation and Slovakia. [6]

15. In addition to the increase in "income poverty" in the region, there has been a less well-known increase in "human poverty". In many countries a new pattern of poverty-related diseases such as tuberculosis and diphtheria has emerged, including a startling increase of illness in children. Poor nutrition has become a serious problem in several countries, resulting in signs of deteriorating health, such as the prevalence of stunting among young children or of low birth weight, indicators of serious consequences for children's well-being now and in the future.[7]

16. Under these conditions of precipitous economic decline, the populations of many countries in the Commonwealth of Independent States have been forced to develop alternative strategies for survival. These are largely based on informal economic activities, as well as a wider use of forests, land and water resources, and on migration to other regions in search of income opportunities.

17. As the incidence and nature of poverty differ substantially between countries, so also does the nature of social and poverty alleviation policies, although some common elements can be identified. While many Governments are striving to sustain the proportion of expenditures on social protection systems, health care and education at the level of the pre-transition period, most have been unable to do so. Even when roughly the same proportion of the government budget has been allocated to those needs, there has still been a very noticeable decline in the absolute volume of the allocated financial resources.

18. The central trend in social policy development during the second half of the 1990s is the rationalization of social support for the poor and the establishment of legal and institutional foundations for a more goal-oriented social protection system. During the second half of the 1990s, a number of countries of the Commonwealth of Independent States, including Azerbaijan, Georgia, Kazakhstan, the Kyrgyz Republic, the Republic of Moldova, the Russian Federation and Uzbekistan, took steps to adopt targeting, that is to provide State-funded support exclusively to the poorest strata of the population, as a major policy tool. Therefore, defining target groups and monitoring and administration of assistance schemes are increasingly important issues. Most countries declared their intention to create an effective and comprehensive safety net, accompanied by efforts to control costs and waste, thereby leading to a more efficient use of resources. Yet much remains to be done to effectively implement such policies.

Unemployment

19. The peak of unemployment in most countries of Central and Eastern Europe (excluding the Czech Republic) was observed during the first years of structural change. In 1993, the unemployment rate in both Bulgaria and Poland was more than 16 per cent, in Slovenia, 15.5 per cent, in Slovakia, 14.4 per cent, in Hungary, 12.1 per cent, in Romania, 10.4 per cent and in the Czech Republic, 3.5 per cent.[8] From 1994-1995 economic growth resumed in most of these countries, followed by a visible decline in unemployment. In the second half of the 1990s, unemployment rates fluctuated throughout these countries depending on economic dynamics, with the crisis of 1997 causing an increase in unemployment rates in many of them. Overall in Central and Eastern Europe, labour markets are characterized by unemployment rates that have stabilized at a high level (more than 10 per cent) and an increase in long-term unemployment.

20. Labour markets in the countries of the Commonwealth of Independent States are characterized by a moderate dismissal of workers (relative to the decline in GDP) and large hidden unemployment. According to estimates, hidden unemployment affects 20 to 25 per cent of the economically active population. The phenomenon of hidden unemployment is directly related to economic and employment policies directed at preventing mass dismissal of the labour force. These policies made it possible to avoid social conflicts, but their negative consequences include the preservation of ineffective businesses and a decrease in real wages.

21. In the Russian Federation, since 1997, as a result of a further decline in output there was an increase in

the number of workers dismissed from their jobs. The process is part of an effort to gradually adjust the economy to present conditions by eliminating surplus labour and cutting labour costs. As a result, unemployment growth has increased. According to the State Statistical Committee of the Russian Federation, the total number of unemployed workers increased from 8.3 million people in 1997 to more than 9 million in mid-1999, constituting 12.5 per cent of the economically active population.

22. Labour markets in the other countries of the Commonwealth of Independent States showed wide fluctuations over the last two to three years. In some countries there is a tendency towards a decline in unemployment as compared to 1996, but in many unemployment rates in 1998 are still higher than in 1995. According to the estimates of the Intergovernmental Statistical Committee of the Commonwealth of Independent States, on the whole, the total number of unemployed exceeded 13 million in 1998, or 10 per cent of the economically active population. Officially registered unemployed constituted only 20 to 30 per cent of this total number. Household surveys show unemployment to be 25 per cent in Armenia, over 19 per cent in Azerbaijan, over 15 per cent in Georgia, 20 per cent in the Kyrgyz Republic and 30 per cent in Tajikistan.[9] There is a large gap between actual and official unemployment rates, which can be explained to some extent by the lack of incentives to register because of low unemployment benefits and monthly delays in payments and by complicated registration procedures.

23. Since 1995, there has been a change in the employment policies pursued in the region. Whereas at the early stages of reforms a relatively passive approach to labour market policy dominated, during the second half of the 1990s a more active approach to employment policies has been adopted, including targeting policy towards specific categories of the unemployed. Among active employment programmes (retraining, credit for small businesses, public works, subsidized employment, special programmes for youth), the most commonly practised are subsidized employment schemes for vulnerable groups and support for small businesses (micro-credit).

24. Social protection systems for the unemployed have been reassessed and a more rigorous set of entitlement criteria for unemployment benefits introduced in most countries, limiting the amount and duration of unemployment benefits. It has become common policy to tie the system of unemployment benefits to an active labour market policy, encouraging more active job seeking and participation in training programmes.

25. The system of social protection of the unemployed is facing serious problems, mainly caused by a persistent shortage of funds. Funds are insufficient for the payment of benefits, job creation and job training. In some countries benefits are paid in kind. As a result, the actual number of people receiving unemployment benefits as a percentage of those actually unemployed is low and constantly changing. Again, the continuing economic crisis has hampered improvement in this area.

Social integration

26. Building inclusive societies is a multi-dimensional and enormously difficult task for countries grappling with major economic, political and social transformations. Many countries are facing unresolved ethnic problems, and in others the major problem concerns post-conflict reconstruction. Although the ongoing processes of democratization have expanded opportunities for citizens to participate in public life, both at the community and the national levels, the extent of civic engagement has remained low in many countries. Proliferation of activities of non-governmental organizations (NGOs), by itself a positive sign of developing civil society, is often not accompanied by substantive involvement of citizens in their day-to-day activities.

27. In many cases there was a visible weakening of institutions whose main function was to maintain social cohesion, such as labour and youth organizations. Formal institutions responsible for maintaining social integration have increasingly been replaced by informal ones, such as the extended family and kin-based networks. In other cases, the links established in the pre-transition period have survived, bringing together former members of the party elite or managers of State-owned enterprises.

28. The cohesion of family life and its capacity to care for children have been weakened substantially, and cases of child abandonment, youth delinquency and suicide have increased. The proportion of infants from birth to three years of age in institutionalized care has increased in several countries, with the highest

proportions in Bulgaria, Romania and Latvia. In Estonia, the proportion grew by 75 per cent during the period from 1989 to 1995, and then doubled between 1995 and 1996. According to a report from the United Nations Children's Fund (UNICEF), the number of older children living in institutions increased in the Baltic States as well as in Romania, the Russian Federation, and Slovakia. Poor economic circumstances and serious deficiencies in the education system mean that more and more children are being forced to work.

29. The crime rate among the adult population jumped dramatically in a number of countries. According to UNICEF statistics, between 1989 and 1996, the total number of crimes in Romania increased almost seven times; in Bulgaria and the Czech Republic, three times; and in Hungary, Lithuania, Slovakia and Ukraine there was a twofold increase. Organized crime has become a most disturbing feature in Central Asia, the Russian Federation, Ukraine, and the countries of the Caucasus region.

30. In a number of countries, including Azerbaijan, Armenia, Georgia, the Republic of Moldova, the Russian Federation, Tajikistan and the former Yugoslavia, conflicts have led to armed struggle. As a consequence, at the end of 1997, according to figures from the Office of the United Nations High Commissioner for Refugees (UNHCR), the total number of refugees fleeing conflicts in the region reached 1.3 million. There are no easy schemes or formulae that hold out the promise of settlement of these disputes.

31. Some ethnic minority groups continued to face discrimination, the most visible being the Roma population of nearly five million persons in Central Europe. In some countries that previously were part of the Union of Soviet Socialist Republics, the separation of communities along linguistic lines and related citizenship issues remain a social challenge. The social disadvantages faced by different ethnic groups prevent their full integration into society.

32. Discrimination and violence against women has increased in many societies and policy measures adopted to remedy this situation have, to date, been inadequate. Among employers, there is evidence of a bias against women in numerous cases. Surveys conducted by the International Labour Organization (ILO) among managers of firms in Central Europe from 1991 to 1993 confirmed that, when it came to making a choice between women and men, employers usually selected men and paid them higher salaries.[10] Furthermore, a lot of formerly subsidized kindergartens have been closed or their fees have been raised. Since taking care of children and other family members is still considered to be mainly the responsibility of women, possibilities for them to participate in the labour market have been seriously limited.

Resources for social development

33. The systems of social benefits that many countries with economies in transition inherited from the former command-driven economy provided coverage for many categories of population (such as veterans, the disabled, people with children or certain professional categories) regardless of their actual situation. The inconsistency of generous social protection systems with limited State revenues led to a situation where Governments could no longer live up to their own programmes and payments went into arrears. Cutting these benefits, however, is not easy in societies where the role of the State as a provider of extensive social benefits was taken for granted for a long time.

34. The extensive systems of social benefits and the maintenance of unproductive employment caused strains on the budgets of many States, even before the transition period. By the mid-1990's, however, budget deficits in many countries had grown so large that it was no longer possible to maintain, let alone increase, the level of State expenditures and reform measures were introduced as one means of reducing expenditures on welfare systems. In Eastern Europe, as a result of reforms of social support systems, the amounts of social benefits were cut significantly, access to social support was no longer considered a universal right and more selective, targeted forms of social transfers were adopted. In countries of the Commonwealth of Independent States, where economic and financial crises led to drastic budget cuts for social spending, social expenditure is now virtually in a state of collapse.

35. One way of raising resources is by improving the administration of tax systems and the State's capacity to collect taxes. In the Russian Federation, according to estimates submitted to an ad hoc expert group meeting on social expenditures in New York in October 1999, in 1997 less than half of what was to have been collected in income taxes was in fact realized. In some

other countries, however, this situation is improving. In Armenia, because of strengthened tax laws and mechanisms of collection,[11] the share of tax revenues as a percentage of GDP increased from 5 per cent in 1995 to 10 per cent in 1997.

36. Resources that are available are not always used efficiently and in many places corruption remains a problem. There is a lack of transparency in budget management, allocation of resources and tax administration. The statistical systems and data required for monitoring and evaluation are not yet available in all countries. Additional international efforts are needed to minimize waste and to achieve maximum impact from available resources (both domestic and foreign).

37. Quantitative planning of resources needed for social programmes is often hindered by the fact that many of the goals and tasks in those programmes are not well formulated. This lack of specification makes it difficult to calculate the needs for financial resources under these programmes, which in turn may lead to disputes between the relevant operating State authorities, on the one hand, and the controlling financial bodies, on the other hand. Proper accounting of expenditures is often lacking and, in particular, recurrent expenditures tend to be underestimated, often resulting in a shortage of funds allocated to maintain infrastructure and to other recurrent expenses such as schoolbooks, medical supplies or payment of salaries, thereby seriously affecting the quality of the services delivered.

38. The main actor and source of funding in the social sphere in most of these countries is still the State, although some steps have been taken to create a legal base for involving private entities and private investments in social programmes, and to stimulate charitable activities. Reform of legislation concerning the social sphere is being explored within the framework of the Commonwealth of Independent States, and new social standards and a new legal basis for reforming social expenditures of the State are to be elaborated and adopted.

B. Obstacles encountered

39. One of the main obstacles to the design and effective implementation of social policies is economic: that is the absence of sustainable economic growth and the subsequent lack of financial resources needed to implement social development programmes. There is an urgent need to mobilize new resources, but also to use existing resources more effectively and more efficiently. On one hand, some of the general social benefits of the former system still exist, but do not always reach the population most in need of social assistance. On the other hand, there sometimes is a waste of resources because funds are not well managed.

40. The low public opinion of policies of past governments, which can, at least in part, be explained by a lack of transparency and accountability of public servants and government agencies, led to a lack of trust in the new institutions and policies. This led to an erosion of social consensus and of support for transition, and has presented another obstacle to the implementation of the commitments of the World Summit for Social Development.

41. In many cases, the general weakness of State and Government in this long period of transition has permitted small groups to capture the benefits of change for their personal enjoyment, at enormous cost to economic and social development. The need is not to go back to the omni-present State, but to improve the current State's capacity to handle responsibilities for social development.

42. In addition, one of the major challenges in post-communist societies remains the need to enhance the institutions of civil society and the stability of civil society at large. Genuine civic engagement in the life of the community and in society is indispensable for strengthening the responsibility of citizens for their own future, as well as for shaping political and economic agendas conducive for social progress and development. Special efforts will have to be made to enable groups that suffer from disadvantage or discrimination, such as women, ethnic minorities or religious groups, to express their points of view and defend their interests. These groups need to become true partners in the processes of decision-making and implementation.

43. Another obstacle is behavioural. The previous regimes had entered deeply into the lives of the people and there remains a deep-rooted belief in the paternalistic role of the State with little reliance on individual responsibility. Entrepreneurial behaviour has yet to develop and in many countries with economies

in transition the level of civic engagement and of social and political participation is low as community organization remains weak and ineffective. The weakness of the institutions of civil society in turn contributes to the ineffectiveness of government programmes and measures.

44. Finally, the armed conflicts that have continued in some countries of Eastern Europe and the Commonwealth of Independent States have further aggravated the situation. In many countries there were unresolved ethnic problems; in some others the major problem was one of post-conflict reconstruction. Solutions to these conflicts urgently need attention, since they have resulted in great human and financial losses, damaged the material and social infrastructure and increased the number of refugees and the extent of enforced resettlement.

C. Conclusions and recommendations

45. The symposium recommended a number of important priorities for action in the current situation of the countries with economies in transition.

46. A necessary condition for social development is integration of macroeconomic and social policy. Growth of employment and reduction of poverty should be adopted as central goals of macroeconomic policy, together with economic growth and low inflation. Increasing employment opportunities enables the growth of income, reduction of poverty and the preservation of the quality of the workforce. This goal requires appropriate fiscal and monetary policies, in combination with:

(a) Strengthening institutions encouraging an efficient and equitable labour market;

(b) Promoting active labour market policies, with emphasis on the training and retraining of the workforce, and on stimulating flexibility;

(c) Stimulating the establishment and growth of small- and medium-sized businesses and of self-employment;

(d) Adopting measures to discourage any kind of discrimination based on gender, race, ethnicity or religion.

47. It is important to make social protection an instrument of progressive income redistribution. This may require the reform of social protection systems to ensure support for the poor, older persons, persons with disabilities and other vulnerable groups.

48. In a modern democratic State, comprehensively accessible and high-quality health care and education are among the main instruments for achieving equality of opportunity over the medium term. The reforms of education and health care that were launched in the majority of countries in transition should provide universal access to these vital services, including for vulnerable groups in the population. There is also need for a broader approach to the problems of vulnerable population groups to complement piecemeal solutions aimed at urgent amelioration of economic and social shocks. Social assistance is necessary but, as a pure means of income transfer, it is insufficient to address the range of causes of poverty, including exclusion. Encouragement of the establishment and growth of organizations that represent vulnerable groups and their interests is an important means for tackling poverty and social disintegration.

49. Mobilization of additional resources for social development in countries with economies in transition requires innovative measures:

(a) Taxation systems require special attention. It is especially important to reform tax systems and to improve the efficiency of tax administration so as to ensure an adequate revenue base for effective provision of social services and to minimize tax avoidance and evasion;

(b) The need to encourage small- and medium-sized businesses should be recognized by designing tax systems to facilitate the establishment and growth of these businesses, but which do not undercut the importance of such businesses making a contribution to State revenue;

(c) Restructuring the allocation of resources among sectors can make a significant contribution, including, for example, cutting military expenditure and allocating more resources to the provision of basic social services aimed at the poor, rather than to services for elites;

(d) Foreign direct investment can make a useful contribution, not only to expanding the tax base, but also to increasing employment and encouraging the transfer of technology;

(e) Foreign aid, including aid received from international organizations, can increase resources for social development. Continuous monitoring of use of these resources is needed; new resources should be concentrated on projects with high social and economic benefits and coordinated with projects that are already being implemented at the regional and local levels.

50. Efforts must be stepped up to improve the governance over, and effective use of, financial resources. Important issues that should be addressed in this respect include:

(a) Building mechanisms to monitor and evaluate progress and outcomes in the programmes of social reforms, allowing estimation of their effectiveness and making sure that benefits do not bypass the poorest groups of the population;

(b) Ensuring quality management of social reforms and social policy by training and supporting public administrators;

(c) Using social budgeting to improve policy-making and to analyse the potential effects of alternative reforms and policy options. Successful implementation of social budgeting requires political and technical commitment;

(d) Recognizing that good planning of social programmes is an important prerequisite; it involves specifying goals clearly and ensuring the resources needed to achieve them. Due account must be taken of recurrent operating expenditures, in particular of the salaries of staff working in the social sectors.

51. Institutional continuity and State capacity are indispensable factors for ensuring policy stability and predictability and for prioritizing reform measures. Social and economic policy measures cannot be implemented without strengthening public control over the process of decision-making in the economic and political spheres and without introducing mechanisms to implement these decisions:

(a) The importance of establishing and effectively implementing a legal framework for property rights was unanimously recognized by participants at the symposium;

(b) It is essential to recognize that the State has a vital role as a regulator and as a provider of essential public services;

(c) Transparency and accountability must be achieved and maintained at all levels of government. This will increase popular support for social programmes and reduce opportunities for corruption.

52. There is a need to reach consensus among the different ministries and both governmental and non-governmental institutes on such important issues as the goals of social policies, the level of public revenues and expenditures and the structure of social expenditures. This is essential in order to set out a coherent strategy for achieving the goals of sustainable development. True and lasting success in implementing the Copenhagen Declaration and Programme of Action will require a coalition of all social actors, working together towards the same objectives. This means that ways have to be found to involve civil society in setting priorities and in implementing policies. It means also that an effort has to be made to involve all government sectors in the achievement of the goals of poverty eradication, full employment, social integration and resource mobilization. Setting out a coherent strategy to achieve these important goals requires the involvement of all relevant ministries and cannot be the sole responsibility of ministries of social affairs.

53. National and regional differences must be taken into account. Special attention has to be given to depressed countries and regions with large-scale poverty and unemployment. Problems of poverty and unemployment cannot be solved without taking into account the specific social, economic, political and cultural characteristics of each region.

54. There is an urgent need to enhance and reorient the capacity of national statistical systems to improve their ability to effectively monitor relevant social trends and patterns. The availability of reliable and up-to-date statistical information is one of the prerequisites for effective socio-economic planning and policy making. Comprehensive statistical systems, which would provide a full range of information on population characteristics, needs and the effectiveness of programmes, are still not in place in many countries. The development and use of instruments that yield rapid, even if not comprehensive or extremely accurate, statistical feedback should be given special attention. It is also useful to adopt the new statistical systems in ways that increase cross-country comparability, which can best be achieved through the use of the well-

established internationally applied definitions in the statistical field.

Notes

[1] United Nations Development Programme, *Human Development Report for Central and Eastern Europe and the Commonwealth of Independent States, 1999* (United Nations publication, Sales No. E.99.III.B.6), p. 14.
[2] *World Economic and Social Survey, 1999* (United Nations publication, Sales No. E.99.II.C.1), p. 263, table A.3.
[3] United Nations Development Programme, *Human Development Report for Central and Eastern Europe and the Commonwealth of Independent States, 1999* (United Nations publication, Sales No. E.99.III.B.6), p. 76.
[4] Ibid., p. 21. Based on a poverty line of $4 a day (in 1990 purchasing power parity).
[5] Ibid., p. 20. Estimates are based on national standards and hence are not necessarily comparable between countries.
[6] Ibid., p. 7.
[7] Ibid., p. 22.
[8] *World Economic and Social Survey, 1999* (United Nations publication, Sales No. E.99.II.C.1), p. 268, table A.7.
[9] United Nations Development Programme, *Human Development Report for Central and Eastern Europe and the Commonwealth of Independent States, 1999* (United Nations publication, Sales No. E.99.III.B.6), pp. 193, 237, 273.
[10] Ibid., p. 70.
[11] Ibid., see Balance Sheet for Armenia.